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**UNITED STATES** SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

ANNUAL AUDITED REMORT

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PART III

**FORM X-17** 

Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING	01/01/03	AND ENDING_	12/31/03		
	MM/DD/YY		MM/DD/YY		
A. REGISTRANT IDENTIFICATION					
NAME OF BROKER-DEALER:			OFFICIAL USE ONLY		
Black River Capital, LLC			FIRM ID NO.		
ADDRESS OF PRINCIPAL PLACE OF BUSINE	SS: (Do not use P.O. Box	No.)			
1165 N. Clark Street, Suite 200					
Chicago	(No. and Street)		60610		
(City)	(State)	:	(Zip Code)		
NAME AND TELEPHONE NUMBER OF PERSO	ON TO CONTACT IN R	EGARD TO THIS RE	EPORT		
Mark Fessler			(312) 397-1500		
		(Are	a Code - Telephone No.)		
B. ACCO	UNTANT IDENTIFI	CATION			
INDEPENDENT PUBLIC ACCOUNTANT who	se opinion is contained	I in this Report*			
Altsch	uler, Melvoin and Glass	ser LLP			
(Name – if	individual, state last, first, m	ddle name)			
One South Wacker Drive	Chicago	IL_	60606-3392		
(Address)	(City)	(State)	(Zip Code)		
CHECK ONE:  Certified Public Accountant Public Accountant		PRO	CESSED		
Accountant not resident in United States or any of its	possessions	/ MAR	29 2004		
FO	R OFFICIAL USE ON		OMSON ANCIAL		

<sup>\*</sup>Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2).



### **OATH OR AFFIRMATION**

I, Mark	Fessler, affirm that, to the best of my knowledge and belief the accompanying statement of financial
conditio	on pertaining to the firm of Black River Capital, LLC, as of December 31, 2003, is true and correct. I
further	affirm that neither the company nor any partner, proprietor, principal officer or director has any
proprie	tary interest in any account classified solely as that of a customer.
	day of Jebuary 1004 Mark Finler
	Signature  OFFICIAL SEAL NANCY J SIMENSON  CFO
	Notary Public NOTARY PUBLIC, STATE OF RLINOIS Title  Notary Public Notary Public State of RLINOIS Title
<b>▼</b> (a)	ort** contains (check all applicable boxes): Facing Page.
(c)	Statement of Financial Condition.  Statement of Income (Loss).  Statement of Cash Flows.
☐ (e) ☐ (f)	Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital. Statement of Changes in Liabilities Subordinated to Claims of Creditors.
[ (g) [ (h) [ (i)	Computation of Net Capital.  Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.  Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
(i)	A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
	A Reconciliation between the audited and unaudited Statement of Financial Condition with respect to methods of consolidation.
区 (I)	An Oath or Affirmation.
	A copy of the SIPC Supplemental Report.  A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
[ (o)	Independent Auditors' Report on Internal Control.

<sup>\*\*</sup>For conditions of confidential treatment of certain portions of this filing, see Section 240.17a-5(e)(3).

## **Black River Capital, LLC**

**Statement of Financial Condition** 

December 31, 2003

Filed Pursuant to Rule 17a-5(d) Under the Securities Exchange Act of 1934



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#### **Independent Auditors' Report**

Members of Black River Capital, LLC

We have audited the accompanying statement of financial condition of Black River Capital, LLC as of December 31, 2003 that you are filing pursuant to Rule 17a-5 of the Securities and Exchange Commission. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of Black River Capital, LLC as of December 31, 2003 in conformity with U.S. generally accepted accounting principles.

Moline Q Illener LLP

Chicago, Illinois February 24, 2004

Black River Capital, LLC Statement of Financial Condition December 31, 2003

Assets	
Cash Receivable from Parent	\$ 143,614 7,862
Total assets	<u>\$ 151,476</u>
Liabilities and Members' Equity	
Liabilities Accounts payable and accrued expenses	\$ 5,000
Members' equity	146,476
Total liabilities and members' equity	<u>\$ 151,476</u>

#### Note 1 Nature of Operations and Significant Accounting Policies

**Nature of Operations**—Black River Capital, LLC (the "Company") was organized in the State of Illinois in May 2002 as a limited liability company and is owned by Kingstree Trading, LLC (the "Parent"). In January 2003, the Company became registered as a broker-dealer under the Securities Exchange Act of 1934.

The Company acts as a broker, transmitting orders on behalf of the Parent to purchase and sell treasury securities to other broker-dealers. Settlement of all transactions is done directly between the Parent and these other broker-dealers.

The Company's operating agreement provides, among other things, that the Company shall dissolve no later than December 31, 2042.

**Use of Estimates**—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Revenue Recognition**—Under a service agreement with the Parent, the Company receives a service fee, which is recognized when earned.

**Income Taxes**—The Company is taxed as a partnership under the provisions of the Internal Revenue Code and, accordingly, is not subject to federal income taxes. Instead, members are liable for federal income taxes on taxable income.

#### Note 2 Members' Equity

The Company's operating agreement provides for two classes of members. The Parent is the Class A member and has all voting rights. An officer of the Parent is the Class B member (the "Managing Member"), which is responsible for the business and affairs of the Company.

All of the member's equity at December 31, 2003 represents the Parent's balance.

#### Note 3 Related-Party Transactions

All service fees are earned for transmitting orders on behalf of and related administrative services for the Parent. At December 31, 2003, receivable from Parent represents receivables arising from these services.

Under a written agreement, the Parent provides office space and administrative services to the Company.

The Parent has guaranteed the payment and performance of all obligations and liabilities of the Company to a counterparty.

#### Black River Capital, LLC Notes to the Statement of Financial Condition December 31, 2003

#### Note 4 Concentration of Credit Risk

The Company maintains cash balances at a bank that, at times, exceeds federally insured limits. The Company monitors the creditworthiness of this bank.

#### Note 5 Net Capital Requirements

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1). Under this rule, the Company is required to maintain "net capital" in the first year of operations of 12-1/2 percent of "aggregate indebtedness" (6-2/3 thereafter) or \$5,000, whichever is greater, as these terms are defined.

Net capital and aggregate indebtedness change from day to day, but at December 31, 2003, the Company had net capital and net capital requirements of approximately \$139,000 and \$5,000, respectively. The net capital rule may effectively restrict distributions to members.



#### **Independent Auditors' Report on Internal Control**

Members of Black River Capital, LLC

In planning and performing our audit of the financial statements of Black River Capital, LLC (the "Company") for the year ended December 31, 2003, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission ("SEC"), we have made a study of the practices and procedures followed by the Company, including tests of compliance with such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g), in the following:

- 1. Making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11).
- 2. Determining compliance with the exemptive provisions of Rule 15c3-3.

Because the Company does not carry any securities accounts for customers or perform custodial functions related to customer securities, we did not review the practices and procedures followed by the Company in the following:

- 1. Making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by Rule 17a-13.
- 2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2003, to meet the SEC's objectives.

It is not practicable for a Company of this size to achieve all the divisions of duties and cross-checks generally included in a system of internal accounting control and, as a result, greater reliance is placed on close supervision of the accounting records by management on daily basis.

This report is intended solely for the information and use of the Members, management, the SEC, the NASD, and other regulatory agencies that rely on Rule 17a-5(g) of the SEC in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

in O Ilhour LLP

Chicago, Illinois

February 24, 2004